

Sri Jayewardenepura General Hospital Board – 2018

1.1 Disclaimer of Opinion

The audit of the financial statements of the Sri Jayewardenepura General Hospital Board (“Board”) for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No.19 of 2018 and the Finance Act No. 38 of 1971. My comments and observations which I consider should be reported to the Parliament appear in this report.

I do not express an opinion on the financial statements of the Board. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer of Opinion

My opinion disclaims based on the matters described in the paragraphs 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Board is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Board.

1.4 Auditor's Responsibility for the Audit of Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the

Board and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board;
- Whether the Board has performed according to its powers, functions and duties; and
- Whether the resources of the Board had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the preparation of financial statements.

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

Item -----	Management Comment -----	Recommendation -----
<p>Ledger accounts had not been maintained for accounting recoveries of professional charges amounting to Rs.299,793,009, payment of professional charges amounting to Rs.386,839,872, withholding tax recovered on professional charges amounting to Rs.12,047,910. Instead recoveries of professional charges, payment and withholding tax recovered on professional charges had been transferred to an account namely professional charge whilst unidentified debit balance of the said account amounting to Rs.112,663,449 as at 31 December 2018 had been transferred to the hospital charges control account.</p>	<p>Action was taken to introduce an accurate method for accounting professional charges systematically since the year 2019 and necessary actions are being taken in the accounting system and Systolic information system.</p>	<p>Ledger accounts should be prepared for recoverable professional charges, payable professional charges, professional charges paid and withholding tax recovered on professional charges.</p>

1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non - compliance with reference to the Standard	Comments of the Management	Recommendation
(a) Sri Lanka Public Sector Accounting Standard 1		
(i) According to the paragraph 95(c) of the standard, nature and purpose of the capital reserve amounting to Rs.2,280,000 included in the equity capital as at 31 December 2018 had not been disclosed in the financial statements.	A reserve created from revaluation of motor vehicle during the year 2002 was shown by this reserve and actions to be taken to adjust correctly in the accounts during the year 2019.	It should be disclosed in the accounts for the year 2019.
(ii) According to the paragraph 132 of the standard, the basis for measurement of the capital work in progress amounting to Rs.689,609,072 as at 31 December 2018 had not been disclosed.	In general, the cumulative cost incurred for capital work in progress as at the relevant date was disclosed in the financial statements as the value of capital work in progress. It is not necessary to disclose a measurement basis specially.	According to the Sri Lanka Public Sector Accounting Standard 1, actions should be taken to disclose the basis for measurement of capital work in progress when preparing financial statements.
(b) According to the paragraph 47 of the Sri Lanka Public Sector Accounting Standard 3, material prior period errors should be retrospectively corrected in the first set of financial statements after discovering them by restating the comparative amounts which were presented for the period that the error occurred. Without doing so, a sum of Rs.50,109,965 had been adjusted to the cumulative deficit of the Board as at 31 December 2018 and to the items of the financial position statement as previous year's adjustments.	The said error to be corrected when preparing accounts for the year 2019.	Actions should be taken in accordance with the Sri Lanka Public Sector Accounting Standard 3.

- (c) According to the paragraph 65 of the Sri Lanka Public Sector Accounting Standard 7, useful life of non-current assets had not been reviewed annually. Hence, even though fixed assets at the cost of Rs.2,225,037,613 had been fully depreciated, those are still in use. Actions had not been taken to revise the estimated error occurred thereon as per the Sri Lanka Public Sector Accounting Standard 3.
- Agreed with the observation. Huge cost has to be incurred for revaluation of the said assets. It is an additional burden to the Institute and any special step was not taken because there was no collective financial value.
- Actions should be taken in accordance with the instructions mentioned in Sri Lanka Public Sector Accounting Standard relating to revaluation and accounting non-current assets which were fully depreciated but still in use.

1.5.3 Accounting Deficiencies

Audit Issue	Comments of the Management	Recommendation
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(a) Accrued expenditure amounting to Rs.5,412,150 as at 31 December 2018 had not been taken into accounts.	Actions to be taken to correct the error in the year 2019.	All payable expenditure relating to the year should be taken into accounts on accrued basis. Actions should be taken to rectify this error when preparing accounts for the year 2019.
(b) Revenue of fines amounting to Rs.2,875,084 and Rs.4,645,974 deducted from suppliers in 10 and 14 instances of the previous year and the year under review respectively due to actions not being taken as per the agreements had not been taken into accounts.	Actions to be taken to correct the error in the year 2019.	Actions should be taken to identify transactions correctly and to take into accounts and to rectify the said error when preparing accounts for the year 2019.
(c) Retention money deducted from payments of 16 construction contracts amounting to Rs.31,832,324 had not been taken into accounts.	Actions to be taken to correct the error in the year 2019.	The correct nature of the transaction should be disclosed by the financial statements. Actions should be taken to identify transactions correctly and to take into accounts and to rectify the said error

- when preparing accounts for the year 2019.
- (d) Withholding tax amounting to Rs.1,943,110 which had been deducted from professional charges in December 2018 and should be remitted to the Commissioner General of Inland Revenue had not been taken into accounts. Actions will be taken to avoid such dilatoriness in future. Actions should be taken to identify transactions relating to the year accurately on accrued basis and to take into accounts. This error should be rectified when preparing accounts for the year 2019.
- (e) Value of the Value Added Tax on the accommodation charges relating to the year under review had been over calculated by Rs.7,787,448 and taken into accounts. Actions to be taken to rectify when preparing accounts for the year 2019 considering as a transaction relating to the previous year. Actions should be taken to identify transactions accurately and taken into accounts. Further actions should be taken to rectify this error when preparing accounts for the year 2019.
- (f) Debit balances of hospital charges control account as at 31 December of the previous year and the year under review amounting to Rs.16,271,838 and Rs.18,013,133 respectively had been transferred to the accommodation charges income account without making necessary adjustments after identifying the reasons for debit balances. Items entered into hospital charges control account was not reconciled timely. Actions were taken to reconcile the hospital charges control account monthly since the year 2019 to avoid such errors. Weaknesses of the Computerized accounting system should get corrected. Proper methodologies and control systems which should be followed in feeding data to the system, transferring and deleting data should be introduced. Further actions should be taken to rectify this error when preparing accounts for the year 2019.

- (g) A sum of Rs.4,202,876 debited to the cash account for collecting hospital charges income account had been transferred to the accommodation charges income account without identifying accurately.
- To confirm such errors not being occurred, actions to be taken to confirm the accuracy of the data transferred daily to the cash in hand account day by day.
- Accuracy should get confirmed comparing data which were transferred to the cash in hand account daily with the data imported from the computer system.
- (h) Although the cost of expired stock of Rs.2,948,800 included in the inventory stock of Rs.334,611,222 as at 31 December 2018 should be written off against to the profit, instead a provision of Rs.6,692,224 had been made for the expired stock. However the accounting policy for the provision had not been disclosed. Even though the stock should be evaluated and taken into accounts to the value which is less out of cost or net realizable value, the cost had been taken into accounts without considering the net realisable value.
- It was missed the disclosure of the provision made for the stock expired and damaged as a note to the financial statements.
- All the stock was valued at the historical cost due to practical difficulties of evaluating the net realizable value of the stock items belonged to the hospital and it is accepted that the statement mentioned as the stock was valued at the value which is less out of cost or net realizable value in the disclosures for the financial statements was not correct.
- After identifying the cost relating to expired stock correctly, actions should be taken to write off with a proper approval. Stocks should be evaluated to the value which is less out of both cost and net realizable value and should be taken into accounts. The policy for the provision for expired stocks should be disclosed in the financial statements. This error should be corrected when preparing the accounts for the year 2019.
- (i) Receivable hospital charges as at 31 December 2018 amounting to Rs.1,220,216 relating to surgeries done for the patient of Colombo National Hospital and Children's Hospital had been set off to the payable amount to Medical Supplies Division without taking into accounts.
- Actions to be taken to rectify the error when preparing accounts for the year 2019
- Actions should be taken to identify the transactions accurately and taken into accounts. This error should be corrected when preparing the accounts for the year 2019.

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| (j) | Refunded retention money amounting to Rs.1,351,526 relating to the contract for development of infrastructure facilities of the laboratory complex had been debited to the building repairs account without being capitalized. | Actions to be taken to rectify the error when preparing accounts for the year 2019 | Actions should be taken to identify the transactions accurately and taken into accounts. This error should be corrected when preparing the accounts for the year 2019. |
| (k) | Cost and the cumulative depreciation of 3892 units of equipment disposed in the year 2016, medical equipment, electric lifts, generators, building materials, furniture, wheel chairs and other equipment sold at Rs.4,391,608 in the previous year, medical and surgical equipment sold at Rs.638,100 in the year under review, building and office equipment, electric appliances and laboratory equipment had not been identified and written off from the accounts. | Agreed with the observation. However proceeds of sale were recognized as a profit because it was difficult to identify the cost and cumulative depreciation of disposed items separately. | Actions should be taken as per the Sri Lanka Public Sector Accounting Standard in connection with the disposed non-current assets. This error should be corrected when preparing the accounts for the year 2019. |
| (l) | Cost of Rs.5,608,800 and cumulative depreciation relating to 3 buildings removed in the years 2016 and 2017 had not been written off from the accounts and a sum of Rs.112,175 had been depreciated on that 3 buildings for the year under review. | Actions to be taken to rectify the error when preparing accounts for the year 2019. | Actions should be taken as per the Sri Lanka Public Sector Accounting Standard in connection with the removed non-current assets. This error should be corrected when preparing the accounts for the year 2019. |

1.5.4 Un reconciled Control Accounts or Records

Item	Value as per the financial statements	Value as per the ledger accounts	Difference	Management Comment	Recommendation
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	Rs. million	Rs. million	Rs. million		
(a) Cumulative Deficit -----					
As at 01 January 2018	774	878	104	Agreed with the observation and actions to be taken to adjust the correct cumulative deficit in the Accpac system	Actions should be taken to identify the errors of the Accpac accounting system and to make rectifications. Financial statements should be prepared as reconciled the balances shown in the system with the balances shown in the financial statements.
As at 31 December 2018	707	824	117		
(b) Prior year adjustments to the cumulative fund account	50	54	4	Agreed with the observation.	It should take notice to reconcile the balances of the financial statements with the balances of ledger accounts.

1.5.5 Documentary Evidences not made available for Audit

Item	Amount	Evidence not submitted	Comments of the Management	Recommendation
	Rs.			
Sundry deposits	4,339,582	Registers relating to sundry deposits older than 21 years	Agreed with the observation. Those are deposits made within the period of time from the year 1984 to 2007 and persons who made the deposit and original copy of receipts could not be found. Actions to be taken to get confirmed from the relevant institutions or to write off as expenditure with the approval of the Board of Directors.	All possible efforts should be taken to find out the information in this regard. Balances which could not be found out should be written off from the accounts by obtaining a proper approval.

1.6 Receivable and Payable Accounts

1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
(a) Actions had not been taken to recover or to write-off hospital charges amounting to Rs.2,438,514 and Rs.1,698,819 receivable from Sri Lanka Army and Sri Lanka Air Force respectively before the year 2009 by obtaining a proper approval.	Actions to be taken to write-off the receivable balance according to the approval of the Board of Directors.	This should be written off from the books by obtaining the approval of the Board of Directors and the authority of the Secretary to the Treasury as per the Financial Regulations 113 (3). According to the Public Finance Circular No. 2/2016 dated 12 February 2016, it should be reported to the Director General of Public Enterprises of the General Treasury.

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| (b) | <p>Actions had not been taken to reimburse salaries of Rs.1,112,280 paid to the Medical Interns in the year 2013 and Rs.4,364,660 receivable from the Ministry of Health Nutrition and Indigenous Medicine due to conduct the Health Education University Collage even up to 31 December 2018.</p> | <p>Agreed with the observation. To be sent a reminder to the Ministry to reimburse the salaries paid to Medical Interns, Actions to be taken to recover the expenditure relating to conduct the Health Education University Collage by acquiring it's assets to the hospital.</p> | <p>Actions should be taken to reimburse the salaries paid to Medical Interns and expenditure relating to conduct the Health Education University Collage from the Ministry of Health Nutrition and Indigenous Medicine</p> |
| (c) | <p>Electricity charges amounting to Rs.78,876 which should be recovered from 4 institutes relating to the years 1997, 1998, 2009, 2010 and 2017 had not been recovered even up to the end of the year under review.</p> | <p>Agreed with the observation. Electricity bills receivable from the stalls and shops located in the hospital premises relating to previous years were included in the receivable balance and there were no written evidence to check whether they are still to be received. Hence actions to be taken to write off from the books with the approval of the Board of Directors.</p> | <p>All efforts should be made to find written evidence in this regard. If it is not effective, actions should be taken to write off from the books with a proper approval. Further specific duties should be assigned to the relevant officers for avoiding such situations in future.</p> |

1.6.2 Payables

Audit Observation

Actions had not been taken to settle or to take into accounts after identifying as income the balances i.e. eleven balances of sundry debtors amounting to Rs.4,530,134, seven balances of performance bond deposits amounting to Rs.800,907 and payable professional fees amounting to Rs.3,616,142 which were older than 6 years as at 31 December 2018

Comments of the Management

Agreed with the observation. Actions to be taken to take into accounts the balances which were identified as non-refundable

Recommendation

Actions should be taken to get inquired and confirmed the balances from creditors and institutions before identifying and taking into accounts. According to the response received for the inquiry, actions should be taken to settle or to take into accounts identifying as income.

1.7 Related Parties and Related Party Transactions not disclosed

Audit Observation	Comments of the Management	Recommendation
<p>Contract for supplying, implementing and maintaining an Electronic Document Management System for the Board had been awarded on 26 November 2015 to a Company of which the wife of the Director of the Board was a Director and a sum of Rs.17,675,727 had been paid to the said Company as at 31 December 2018. A proper feasibility study had not been carried out and the supplier had been selected contrary to the Government Procurement Guideline and acting without securing the transparency of the procurement process. The Technical Evaluation Committee which should be appointed by the Chairman of the Board, had been appointed by the Director of the Board and specifications had not been prepared as to be achieved the objectives of the procurement. Evaluation of the qualifications and competent of the supplier and the technical evaluation had not been properly done whilst the Technical Committee had failed to identify the bid even as a bid with fraud address and a telephone number.</p>	<p>An investigation was being carried out by the Ministry of Health. Actions to be taken will be submitted after receiving the report.</p>	<p>A proper independent investigation should be carried out in connection with selecting the supplier contrary to the Government Procurement Guideline and acting without securing the transparency of the procurement process. Transactions with related parties should be disclosed in future financial statements.</p>

1.8 Non Compliance with Laws Rules and Regulation etc.

Reference to laws rules regulations etc.	Non- Compliance	Management Comment	Recommendation
<p>(a) Sub section 22.1 of the Chapter XLVIII of the Establishment Code of the Democratic Socialist Republic of Sri Lanka amended by the</p>	<p>A period almost 18 months had been taken to dismiss from the service a Physiotherapist who was interdicted on 09 January 2017.</p>	<p>This officer was interdicted on 09 January 2017 and a charge sheet was issued after an initial</p>	<p>It should be reported to audit about the actions to be taken in respect of responsible officers who had</p>

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| Public Administration Circular No. 06/2004 dated 15 December 2004. | Nevertheless any disciplinary examination had not been carried out against to the officer within the said period of time. Further a sum of Rs.593,435 had been paid to the officer as half pay within the said period of time without obtaining any service. | investigation. He was pleaded as per the guilty for all Establishment Code and the charges of the charge sheet; He was dismissed from who had not the service after conducted disciplinary examinations within due period of time for making decisions within the due period of time and who had not submitted information to the Board of Directors. Various controversies were occurred in some Board of instances and hence the final decision was delayed. | not taken actions as per the Establishment Code and the Circular Instructions and who had not conducted disciplinary examinations within due period of time for making decisions within the due period of time and who had not submitted information to the Board of Directors. |
| (b) Financial Regulation 139 of the Financial Regulation of Democratic Socialist Republic of Sri Lanka | Payment had been made for 12 vouchers at the total value of Rs.16,242,266 of which the Certifying Officer had not certified. | Agreed with the observation and actions to be taken to avoid such situations in future. | It should get confirmed that vouchers are certified by the Certifying Officer as per the Financial Regulations before writing cheques for payment. It should get assured that payments are made only for the vouchers which are certified. |
| (c) Treasury Circular No. 842 dated 19 December 1978 | A fixed assets register had not been maintained. | A register was prepared including more information of fixed assets. In order to improve that, | A computerized fixed assets register should be prepared as to access without disturbances to observe all |

actions will be information
 taken in future relating to fixed
 to purchase a assets.
 computerized
 fixed asset
 register.

- (d) General Circular Although allowances Immediate A methodology
 Letter of the Director can be paid based on actions will be should be
 General of Health samples which are taken to carry introduced to get
 Services No. 02- prepared by Orderly out an confirmed that
 72/2001 dated 02 July Employees after the investigation in payments are
 2001. normal time of duty, a this regard and made only for the
 sum of Rs.179,315 to rectify after samples allowed
 had been over paid referring Board by the Circular. A
 only in the first of Directors. monthly report
 quarter of the year relating to the
 under review to 16 samples carried
 employees of the out in night time
 Haematology Section should be prepared
 based on the number and should be
 of testing carried out submitted when
 using samples. applying for
 allowances.
 Actions should be
 taken to recover
 the payments over
 paid.

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| (e) | General Circular Letter of the Director General of Health Services No. Q-2 84/2006 dated 10 May 2006. | A sum of Rs.269,325 for 11,970 number of testing of Haematology Section which had not been done and Rs.792,067 for 35,203 Haematology and Biochemistry testing which could not be paid allowances as per the Circular Instructions, had been paid for 27 officers of those sections only in the first quarter of the year 2018. | Actions to be taken to rectify all matters mentioned here | Actions should be taken to strengthen the Internal Control System as possible as to avoid such situations in future. Actions should be taken to recover the payments over paid. |
| (f) | Letter of Delegation of Powers for financial control of the Secretary to the Ministry of Health, Nutrition and indigenous Medicine No. Health Ministry/CA/17/2018 dated 15 February 2018 | A sum of Rs.4,278,343 had been paid exceeding the basic salary for 36 officers during the year under review as allowances for piece rate and holiday pays without obtaining the approval of the Chairman or the Director of the Board. | Actions to be taken to rectify all matters mentioned here | Allowances for overtime, holiday pay and additional duty allowances should not be paid exceeding the basic monthly salary as per the instructions of the Secretary to the Health Ministry. |

2. Financial Review

2.1 Financial Results

The operations of the year under review had resulted a profit of Rs.117,086,848 and against to that, the loss for the previous year was Rs.149,619,386. Accordingly an increase of Rs.266,706,234 was observed in the financial result. Even though expenditure for the year under review had increased by Rs.620,955,656, increase of income by Rs.887,661,889 had mainly affected to this improvement.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Although the average annual hospital charge income was more than Rs.2,000 million, a specific policy had not been identified and implemented to determine the hospital charges recovered.	Agreed with the observation. Even though charges recommended by relevant Consultants relating to each periods of time and Price Committees implemented time to time were recovered, an accurate and permanent price policy was not being implemented, Instructions were given by the Board of Directors to establish a most accurate price policy based on the total cost , Introduction of the said price policy was delayed due to difficulties in identifying indirect costs such as overhead cost , Actions will be taken to introduce a price method which can be covered the cost because the objective of the establishment of the hospital was not generating profit.	A Price Committee should be appointed to fix charges for the services provided by the hospital such as various testing, surgeries and other services and to revise them time to time. Approval of the Board of Directors should be obtained for the decisions of the Price Committees. A price determination policy should be identified to cover the total cost and should be implemented. Actions should be taken to feed the criteria for calculating price to the computer software system.
(b) Although cardiac surgeries had been done for 139 patients who had been referred by the Ministry of Health Nutrition and Indigenous Medicine during the year 2018, any agreement had not been made with the patients or with the Ministry for recovering the hospital charges amounting to Rs.79,996,348 which should be recovered for the said surgeries.	Agreed with the observation. There was no specific method to reimburse charges for the cardiac surgeries done to the patients referred. A Memorandum Of Understanding was drafted and referred to the Legal Section of the Ministry of Health as agreed in the Audit and Management Committee held in the Ministry of Health in the year 2017.	Actions should be taken to make agreement with the Ministry or the patient in connection with recovering hospital charges and to introduce a specific method in this regard.

- (c) Liquidated damages of Rs.11,430,048 had not been recovered from 36 suppliers as per the conditions mentioned in the agreement and bids entered into with suppliers for purchasing goods.
- The purpose of including conditions relating to liquidated damages in agreements and bids was, to compel suppliers to supply goods quickly. Most of suppliers were taken actions to extend the period of time by providing reasons for the delays when some delays occurred. In such situations, hospital administration had granted grace periods considering the fairness of those reasons.
- Liquidated damages should be recovered as per the conditions mentioned in the agreements and bids which had been signed by the both parties. Grace periods should be offered considering the unavoidable matters only on the recommendation of the Technical Evaluation Committee when supplies make requests for grace periods. Reasons had not been submitted to non-recovered liquidated damages mentioned in the observation and it should be reported to audit inquiring officers those who had avoided the responsibility for recovering liquidated damages. If not it should be surcharged from them.

3.2 Operating Inefficiencies

Audit Observation	Comments of the Management	Recommendation
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<p>Medical waste incinerator purchased at Rs.23,544,099 in the year 2016, had been installed in a place of which staff of the hospital were got inconvenienced. The machine had been rented out to an external institute without entering into a proper agreement and surgical waste had been incinerated exceeding the maximum capacity of the machine. However supervision had not been done in this regard.</p>	<p>Conditions relating to the amount of surgical waste incinerated per day, period of time of which the machine should be remained idle etc. had not been included in the agreement. As a result, a proper supervision on the operations of the surgical waste incinerator could not be carried out. Actions will be taken for necessary steps in future.</p>	<p>A proper supervision should be carried out after revising the agreement including the conditions not to incinerate surgical waste exceeding the maximum capacity of the machine and to maintain the machine properly. Necessary steps should be taken to get avoided inconvenience to the staff of the hospital.</p>

3.3 Procurement Management

Audit Observation	Comments of the Management	Recommendation
<p>(a) Contract for cleaning service of the hospital had been awarded to a supplier selected deviating the Guidelines of the Government Procurement Guideline and without confirming the transparency of the procurement procedure and it had been agreed to pay a sum of Rs.3,652,600 per month for a period of 15 months starting from 01 August 2017 and Rs.5,524,830 per month for a period of one year starting from 01 November 2018. Although officers had calculated the fine which should be recovered from the contactor was Rs.2,352,750 due to the facts that according to the contract conditions cleaning was not done and due number of employees were not engaged in the service, the director had ordered to reduce the said amount of fines by Rs.1,175,335 without submitting any justification.</p>	<p>Actions to be taken to introduce a proper methodology for recovering fines reasoning cleaning not been done and lack of due employees and to recover fines accordingly.</p>	<p>A proper investigation should be carried out for selecting the supplier deviating the Guidelines of the Government Procurement Guideline and without confirming the transparency of the procurement procedure and issuing orders to reduce the fine by Rs.1,175,335. Internal control system and methodologies should be established and maintained as possible as to avoid such situations in future. Attention should be paid to get engaged the due number of employees rather than recovering fines because the cleaning service of the hospital could not be done properly as a result of not engaging the due number of employees</p>
<p>(b) Five Diagnostic Surgery and Treatment Nose and Nasal Telescopes 0° and 30° and accessories had been purchased at Rs.16,642,700 on 27 March 2018 exceeding the financial limit of Rs.10 million belonged to a Department Procurement Committee for purchasing goods on shopping method from a supplier who had been selected deviating the Guidelines of the Government Procurement Guideline and without confirming the transparency of the procurement procedure.</p>	<p>Quotations were called under the shopping method calculating the estimated cost of 6 telescopes as Rs.3 million , When trying to buy additional items by the Technical Committee , the financial value had increased, When drafting bids, all accessories relating to the equipment had been included in the specifications. Nevertheless prices of the</p>	<p>A proper investigation should be carried out for selecting the supplier deviating the Guidelines of the Government Procurement Guideline and without confirming the transparency of the procurement procedure. Disciplinary actions should be taken against to the officers who had not taken actions to obtain the 2 year warranty period or had paid money without considering the 2 year warranty period as per the general conditions of the</p>

Accessories had been purchased at Rs.13,892,700 even though bids had not been called for purchasing accessories. Instead of the 2 years warranty period which should be obtained as per the general conditions of the technical specifications, only a one year warranty period had been obtained. Although the bidder who had not submitted the price for a compulsory item mentioned in the technical specifications should be neglected when evaluating bids, the contract had been awarded to him without doing so.

main 2 items were allowed to mention the price in the document of which the price list should be submitted. Accordingly bidders had submit the prices of accessories as additional items, this had occurred as a delay of drafting , Although 2 years warranty period was requested, only a one year period was given and the Technical evaluation Committee had approved it.

technical specifications.

3.4 Deficiencies in Contract Administration

Audit Observation	Comments of the Management	Recommendation
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(a) Contract for construction of a work shop and an office had been awarded at Rs.87,019,408 on 09 November 2016 without examining the financial position of the contractor for 5 previous years before awarding the contract. The due date to complete the contract had expired by 8 months as per the agreement. At that time the value of the work completed was 26 per cent out of the total contract value. Mobilization advance of Rs.16,675,082 had been paid and only a sum of Rs.5,219,979 had been recovered as at 17 April 2018. Liquidated damages of Rs.4,350,969 had not been recovered as per the conditions of the contract. The relevant workshop and office had been conducted in 14containers hired in the year 2018 incurring a sum of Rs.3,015,000 due to constructions not being completed.	Although the date for completing construction had delayed in 8 months, contract had been completed by 75 per cent up to now. Out of the recoverable liquidated damages amounting to Rs.4,350,969 as per the conditions of the contract, Rs.1 million had been recovered. Actions to be taken to recover the balance from the future payments. Fourteen containers had been hired for conducting workshop and male nurse's hostel until the buildings constructed.	Actions should be taken to get completed the contract quickly. Actions should be taken to recover the rest of the liquidated damages. Additional cost should be surcharged from the officers who responsible for awarding contract without examining the financial condition of the contractor for previous 5 years

- (b) Although the contract for construction of a hostel for male nurses had been awarded on 16 February 2017 at Rs.59,808,300, the date which should be completed the contract had expired by 06 months as at 31 December 2018. Out of the total value of the contract, value of the work completed was 9 per cent. Mobilization advance of Rs.11,257,340 had been paid and out of that only a sum of Rs.1,130,438 had been recovered as at 09 March 2019. A residence had to be hired incurring a sum of Rs.1,218,397 for rent, water and electricity bills for 22 months up to December 2018 due to non-completion of constructions.
- The date which should be completed the contract had expired by 06 months as at 31 December 2018, Constructions are being carried out under a new sub-contractor increasing the number of employees after the warning made by the hospital administration. The rent and the electricity bills had to be paid for the residence obtained for male nurses until the building is constructed.
- Actions should be taken to get completed the work from the contractor quickly.

3.5 Human Resources Management

Audit Observation -----	Comments of the Management -----	Recommendation -----
(a) Actions had not been taken to prepare a proper recruitment and promotion procedure for recruiting, grading and promoting for the posts of the staff of the hospital and get approved it even up to 31 December 2018.	A proposal for restructure was submitted to the Department of Management Services in the year 2012. Actions to be taken to re submit the proposal with amendments within a period of coming 2 months.	Immediate actions should be taken to prepare and approve a recruitment and promotion procedure.
(b) A post had been created as Secretary and legal officer of the Board without the approval of the Department of Management Services and a female officer had been recruited on contract basis. A sum of Rs.899,563 had been paid as allowances for a period of 08 months of which documents to confirm the arrivals and	She had been warned for weak attendance in several instances. But she had not responded positively. Hence actions were taken to appoint another person to the said post on a decision of the Board of Directors.	Actions should not been taken to create posts and make recruitment for that posts without the approval of the Department of Management Services.

departures as scheduled had not been maintained. The full payment of Rs.1,247,657 had been paid for a period of 11 months of which attendance had been maintained without considering the fact that out of 129 days which should arrived to the service, 47days had remained absent.